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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 03/01/06

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2) EDITORIALS

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Nihon Keizai:

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- (2) Decentralization is necessary for regional system

Sankei:

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- (2) Society of disparity: Need to verify before labeling

Tokyo Shimbun:

- (1) Minshuto's apology: Delay deepens the wound
- (2) ODA reform: Responsibility of cabinet members will increase

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, February 28

NIHON KEIZAI (Page 2) (Full)
March 1, 2006

08:00

Met Deputy Chief Cabinet Secretary Nagase at Kantei.

08:31

Attended a cabinet meeting. Foreign Minister Aso stayed on.

09:00

Attended a Lower House Budget Committee session.

12:08

Returned to Kantei.

14:14

Met Aso, Deputy Foreign Minister Nishida, Middle Eastern and African Affairs Bureau Director General Yoshikawa and others,

followed by Iranian Foreign Minister Mottaki.

15:30

Met LDP Secretary General Takebe, Doshu System Research Council
Secretary General Ishizaki and others.

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17:18

Attended a Council for Science and Technology Policy meeting.

18:17

Received recommendations from Local System Research Council
Chairman Moroi.

19:38

Returned to his residence.

4) Government begins to look into ways to secure crude oil with
eye on economic sanctions: Talks between prime minister and
Iranian foreign minister fail

SANKEI (Page 5) (Full)

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March 1, 2006

Prime Minister Junichiro Koizumi yesterday met with visiting
Iranian Foreign Minister Mottaki at the Prime Minister's Official
Residence (Kantei). During the talks, he called on Iran's
government to once again suspend its uranium enrichment
activities. However, the meeting ended in failure with Mottaki
claiming Iran's right to the peaceful use of nuclear power. Since
Iran stands firm on its stance of carrying on with its nuclear
development program, the government has concluded that economic
sanctions against Iran are becoming more likely. The Foreign
Ministry (MOFA) and the Ministry of Economy, Trade, and Industry
(METI) have started looking into ways to secure crude oil in
readiness for possible economic sanctions.

During the meeting, Koizumi asked Iran to suspend its uranium
enrichment activities, noting: "I would like Iran to win the
trust of the international community by all means. The world is
watching Iran's moves." Mottaki, however, simply said, "I would
like Japan to cooperate with Iran so that it will not receive
discriminatory treatment over its right to the peaceful use of
nuclear power."

The International Atomic Energy Agency (IAEA) has already
referred Iran's nuclear development issue to the UN Security
Council. The UNSC will then decide whether to take concrete
actions, including economic sanctions against Iran, after the
IAEA board meeting on Mar. 6.

In the meantime, the government is determined to watch the fate
of talks between Russia and Iran, because it has presented along
with Russia a plan for Iran to pursue uranium enrichment
activities in Russia.

The US has started examining the possible impact on the global
economy of overall sanctions against Iran, including an embargo
on its oil exports. Secretary of State Rice has visited Middle
East nations, such as Saudi Arabia and Egypt, in a bid to tighten
the noose, as a senior MOFA official noted.

Some government officials are calling for a cautious approach to
economic sanctions, as Japan relies on Iran for 15% of its oil
imports and is involved in the Azadegan oil field development, in
which it has 75% stake. Chief Cabinet Secretary Abe told
reporters yesterday that Japan would make every effort for stable
procurement of energy in the event crude oil imports from Iran
become difficult.

During the 1979 American Embassy siege in Iran, the US called on
various countries to impose economic embargos on Iran, but some
Japanese companies bought a large quantity of crude oil from it,

leading to fierce criticism of Japan in the US.

For this reason, other government officials take the position that Prime Minister Koizumi and Foreign Minister Aso tried to directly persuade Iran, so Japan did what it should do, and it is better to consider ways to secure crude oil based on the assumption that Japan will support economic sanctions.

5) Tokyo District Court orders Foreign Ministry to disclose how discretionary diplomatic funds were spent

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YOMIURI (Page 1) (Full)
March 1, 2006

The Tokyo District Court handed down a decision yesterday on a lawsuit filed by the Joho Kokai Shimin Center, a Tokyo-based nonprofit organization, demanding that the Foreign Ministry rescind its earlier decision and disclose discretionary diplomatic funds spent by the Ministry's Secretariat and Japanese embassies in the United States, France, and others countries. Presiding Judge Tasuku Daimon ordered the ministry to totally disclose documents on 1,017 cases excluding those already disclosed, stating, "Discretionary diplomatic funds were used on liquors and Japanese paintings outside the original purposes. Ambiguity remains about how such funds were used." It was the first time for a court to make a decision on the disclosure of classified diplomatic funds.

The ministry has not disclosed any data saying that classified diplomatic funds were for collecting information and that disclosing how the money was spent might have an adverse effect on the country's relations and talks with other countries. The court concluded: "The ministry is not allowed to conceal all information from the public without studying individual cases to find out if disclose would have an adverse effect. Grounds for not disclosing information have not been established fully."

In April 2001, the center requested the Foreign Ministry to disclose documents on the classified funds spent between February and March 2000. The minister turned down the request. Following the lawsuit, the ministry disclosed in April 2004 documents on 52 cases relating to reception expenses, the purchase of Japanese paintings, and other matters. The court ruled the ministry to disclose information to include additional 45 cases.

An official of the Foreign Ministry Information Disclosure Office commented, "It is regrettable that the state's opinion was turned down. We would like to determine future measures through talks with relevant organs."

6) MSDF data also leaked via computers belonging to five members, including an ensign; Too much confidence in their computers due to anti-virus software

MAINICHI (Page 30) (Full)
March 1, 2006

Maritime Self-Defense Force (MSDF) data, including confidential information, have also leaked out to the Internet via personal computers owned by five MSDF officers, including an ensign, sources revealed yesterday. The MSDF has prohibited its personnel from bringing memory devices, such as personal computers and CD-ROMs, into the workplace.

The new leaks occurred through personal computers belonging to five MSDF personnel, including an ensign, a petty officer 3rd class, and a signal operator. The five members stored MSDF information, including confidential data, on CD-ROMs and other media and took them home to download to their personal computers using file-sharing software, such as Winny. As a result, their computers became infected with a virus. The leaked confidential information included secret cables between destroyers and bases, call signs, and personal data,

The MSDF trained its personnel in December and January to raise their awareness against Winny and other computer programs. Despite that, the MSDF confirmed Jan. 21 that vast amounts of information had leaked to the Internet via a personal computer owned by a 41-year-old chief petty officer aboard the destroyer Asayuki based at the Sasebo base. The chief petty officer and other MSDF members reportedly said, "I thought my computer was safe because anti-virus software was installed," or "I was collecting data for the promotion examination and my studies."

7) Equality gap: Prime minister stresses bright side of reforms during intensive deliberations at Budget Committee meeting

YOMIURI (Page 4) (Excerpts)
March 1, 2006

The Lower House Budget Committee yesterday held intensive deliberations with the focus on social or income disparity as a result of structural reforms promoted by Prime Minister Koizumi. The opposition camp urged the government to take countermeasures, by citing actual cases of the widening gap and the "dark side" of excessive reform initiatives. The prime minister rejected the criticism, "Social gaps are not always a bad thing."

Ritsuo Hosokawa of the Democratic Party of Japan (DPJ = Minshuto) brought up the taxi industry as the dark side of reforms. He pointed out, "Due the easing of the Road Transport Law, the number of taxis has increased by about 14,000 over the past three years, but the number of passengers has declined. The income of taxi drivers is 3.08 million yen a year. This is less than half the average income of workers in industries across the board.

Koizumi rebutted, "Some customers are pleased at improved services and reduced fares." He continued, "Working conditions are set by executive officers. It is not possible to make a sweeping judgment whether the deregulation was good or bad."

Hosokawa remained unyielding and pointed out, "Traffic accidents involving taxies have also increased." He thus succeeded in making Land, Infrastructure and Transport Minister Kitagawa reply, "We will conduct a follow-up survey of deregulation without fail."

Interpellators thus made efforts to be persuasive, by citing specific examples of the dark side of reforms.

Yorihisa Matsuno of the DPJ called for balanced city planning, noting, "The bright side is that large-size shopping malls were built under a free economy. On the other hand, traditional shopping districts are in desperate shape." Kitagawa pledged to take measures.

8) Nakagawa reveals plan of holding WTO 6-party ministerial, with BSE on agenda

ASAHI (Page 12) (full)
March 1, 2006

In a press conference held after a cabinet meeting yesterday, Agriculture, Forestry and Fisheries Minister Nakagawa said that cabinet ministers from six economies with influence in World

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Trade Organization (WTO) talks would meet in London in mid-March. The six economies, including Japan, the US, and the European Union (EU), will meet in an effort to forge ahead with the stagnant WTO multilateral trade negotiations (Doha Round). Nakagawa added: "I would like to attend the meeting without fail in order to guard Japan's position in agriculture and other sectors, as well as to promote global trade and economy."

In reference to Japan's re-imposition of a ban on US beef

imports, Nakagawa stated: "It is important for the two countries to exchange frank views." He implied that he would meet separately with US Agriculture Secretary Johanns and the US Trade Representative (USTR) on the sidelines of the ministerial in London.

9) Final report on ODA reform suggests setting up control tower in Cabinet Office, keeping JBIC name

ASAHI (Page 3) (Excerpts)
March 1, 2006

The government's Study Group on Overseas Economic Cooperation, chaired by former Attorney General Akio Harada, compiled its final report and submitted it to Chief Cabinet Secretary Shinzo Abe yesterday. Under the current system, 13 government ministries and agencies engage in implementing their own official development assistance (ODA) projects separately. But the report proposes creating in the Cabinet Office an Overseas Economic Cooperation Council (tentative name) composed of five responsible cabinet ministers as the control tower for ODA policy. The report also suggests integrating the international financing section in the Japan Bank for International Cooperation (JBIC) into a government-affiliated financial institution to be newly established and also its yen-loan section into the Japan International Cooperation Agency (JICA).

Based on this report, the government will hurriedly set up the new body.

The report stipulates that three ODA functions - yen loans, technical cooperation, and grant aid - should be centralized at JICA. The study group also decided to make the international financing section independent as an institute while retaining the name "JBIC." The panel thus gave consideration to those against a plan to dissolve the JBIC, but its specific systematic designing will be discussed in the government.

On the yen-loan business, the report specifies: (1) The current consultations and cooperation system involving various government agencies should be retained; and (2) the possibility of establishing a liaison consultation involving both the international financing and yen-loan sections in JBIC should be studied. Under this plan, the Foreign Ministry, the Finance Ministry, and the Economy, Trade, and Industry Ministry will jointly take charge of the yen-loan business.

10) Minshuto (DPJ) apologizes for fake e-mail; Diet affairs chief Noda resigns but President Maehara stays on; Six-month suspension of party membership for Nagata

ASAHI (Top play) (Lead paragraph)
March 1, 2006

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Meeting the press yesterday, Minshuto (Democratic Party of Japan) President Maehara apologized for the controversial e-mail in terms of its authenticity: "We've concluded that (the e-mail) was fake. I sincerely apologize for having brought it up in the Diet questioning." He backtracked on all his party's explanations made in pursuing the e-mail, stating he had believed the e-mail was highly reliable. Although Maehara had been considering stepping down as party head, he decided to stay on for now. The party leadership accepted resignations from Yoshihiko Noda, chairman of the Diet Affairs Committee, and Osamu Fujimura, vice chairman of the committee, and it suspended House of Representatives member Hisayasu Nagata's party membership for six months as a disciplinary action. Maehara wants no other party executives to resign to take the responsibility for the e-mail fiasco, but he will be certain to control over the party rank and file, given that Secretary General Yukio Hatoyama intends to resign at an appropriate time.

11) Koizumi on Minshuto Nagata's apology in press conference over e-mail fiasco: I don't understand for what he was apologizing?

MAINICHI (Page 3) (Full)
March 1, 2006

Prime Minister Junichiro Koizumi harshly criticized Democratic Party of Japan (Minshuto) member Hisayasu Nagata last night over the press conference he held to apologize for a charge against the LDP that was later found to be incorrect. Koizumi said:

"I really don't understand for what he was apologizing and for what he is sorry. Minshuto and its leader (Seiji) Maehara must be held more responsible."

Asked about Maehara's decision to stay on, Koizumi said: "That is what Minshuto decided." He replied to questions by reporters at the Prime Minister's Official residence.

Liberal Democratic Party Secretary General Tsutomu Takebe revealed last night that his second son was looking into the possibility of filing both criminal and civil lawsuits against Nagata.

12) Long way to go for Maehara-led Minshuto (DPJ) to restore public trust

NIHON KEIZAI (Page 3) (Excerpts)
March 1, 2006

The alleged e-mail that had sent the Diet into a frenzy was found to be fake. To take responsibility for this fiasco, Minshuto (Democratic Party of Japan) held a press conference to offer an apology and accepted its Diet Affairs Committee Chairman Yoshihiko Noda's resignation. But Minshuto is unsure whether these measures will be enough to put an end to the e-mail issue. In fact, the ruling parties are raising objections to what Minshuto said in the press conference. In addition, it is not an easy task to read how the public will respond. Yesterday, Minshuto President Seiji Maehara again declared his intention to stay on, but he is likely to have difficulty in keeping the party from losing its cohesiveness. It will not be easy for the party to regain public trust.

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"I was seriously looking into the option of resigning," Maehara said at the outset of a press briefing late yesterday, bowing deeply. But the question of who should take the responsibility for the e-mail fiasco was rocking the party harder than it was Maehara. Yesterday morning, Maehara met with Secretary General Yukio Hatoyama, who had been trying to settle this e-mail mess. Hatoyama told Maehara he intended to step down.

Maehara persuaded Hatoyama to stay on, telling him, "If you resign, I will have to resign, too." Both leaders insisted on resigning. Hatoyama then said, "If that is the case, the leadership would resign en masse, wouldn't it?" Even in the party executive meeting held after their one-on-one meeting, Maehara and Hatoyama both continued to express their intention to resign, whether they really intended to or this was just a ploy. Hatoyama gave in at last. But Noda, who had also indicated his intention to resign from his post, was firm.

The party leadership had made extra efforts to avoid a domino effect of resignations on Maehara and other leaders immediately after House of Representatives member Hisayasu Nagata revealed his intention to resign as a Diet member. The party executives solidified the party position of not allowing Nagata to resign as a Diet member and keeping the present leadership lineup. But the mood inside and outside of the party was severe.

The tide of opinion in the party is not that Maehara should resign. One reason for that is there is no one to replace him. Even if someone replaces Maehara, the tenure of the party president expires at the end of September. There are few advantages for a replacement. Hatoyama has indicated his intention to resign. This, too, is analyzed as a signal that he

will distance himself from Maehara sooner or later.

13) Livedoor e-mail uproar: Criticism arises in Minshuto general meeting

MAINICHI (Page 5) (Excerpts)
March 1, 2006

The largest opposition party Minshuto (Democratic Party of Japan) yesterday evening held a meeting of its all Diet members. In the meeting, party President Seiji Maehara explained the development of the e-mail issue lawmaker Hisayasu Nagata raised in the Diet when he claimed that Livedoor Co. founder Takafumi Horie ordered a payment to Liberal Democratic Party (LDP) Secretary General Tsutomu Takebe's son. Maehara also announced the party's punitive

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measures, including the resignation of Diet Affairs Committee Chairman Yoshihiko Noda. He then offered an apology for causing the uproar. During the 90-minute meeting, many members raised views criticizing not only the credibility of the e-mail but also Maehara's remarks. Following are major views raised in the meeting:

Maehara: The e-mail was not sent by Takafumi Horie, who has been arrested for violating securities law. We cannot assess (its authenticity). Citing the copy of the e-mail without conclusive evidence, (Nagata) posed questions and accused LDP Secretary General Takebe and his son. I sincerely apologize to Mr. Takebe and his son, as well as the public. We will withdraw the request to exercise the right of a Diet member to investigate state

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affairs. I have decided to remain in the presidential post to examine my responsibility. I then will make a fresh start. I accepted the resignation of Diet Affairs Committee Chairman Noda. I'm torn up inside.

Takeo Nishioka: It is not necessary for the party head and the Diet affairs chief to quit their posts. But in taking up an issue that is not really connected to politics, you should have secured proof. President Maehara, you should be careful about your remarks. You have said that no party members have criticized the executive, just the media, but you lack awareness. Everybody has offered an apology in their own constituency on your behalf. I want you to realize this and apologize for it.

Tetsundo Iwakuni: I want the party head and secretary general to realize that your remarks influenced Nagata.

Yoshinori Suematsu: It is important to take responsibility. If we put an end to the matter without taking responsibility, the public will say that we are behaving like children. (The remarks by the party head) damaged the party further. I want you to do your best.

Yoko Komiya: In order to shed light on the issue, we should set up a project team.

Koichi Haraguchi: We should not shrink back, but let us fulfill our duties.

Toshio Ogawa: The fundamental problem is that our party has no crisis management capabilities. The public will not entrust us with the reins of government. We should overcome the situation with one mind.

14) Livedoor e-mail fiasco: Ruling camp dissatisfied with Minshuto lawmaker Nagata's apology: Plans to use it to attack the main opposition party

MAINICHI (Page 5) (Excerpts)
March 1, 2006

There is a growing backlash in the government and ruling parties over the way Minshuto (Democratic Party of Japan) lawmaker

Hisayasu Nagata apologized for failing to prove his allegation in the Diet when he cited an e-mail charging Liberal Democratic Party (LDP) Secretary General Tsutomu Takebe's son with taking a payment from former Livedoor President Takafumi Horie. Chief Cabinet Secretary Shinzo Abe stormed, "Although Nagata made an apology It is highly regrettable that he made remarks indicating there still remain suspicions about flows of money."

In addition to the submission of a punitive motion against Nagata, the ruling coalition intends to pursue the responsibility of the largest opposition party's executive, including President Seiji Maehara. Some ruling camp members think that it would be better to drag out debate on the e-mail issue at the Diet with an eye on the second half of the ongoing regular Diet session. They are considering using Nagata's apology to attack Minshuto.

Minshuto Secretary General Yukio Hatoyama last night asked LDP Deputy Secretary General Hiromichi Watanabe to arrange for him a meeting with Takebe. Watanabe, however, turned down the request,

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by saying, "Mr. Nagata did not really apologize. He should have made an apology in a public appearance."

Minshuto released a statement last night that the e-mail in question was fake. With this regard, a senior LDP member made a cynical comment: "If they said so half a day before, they would not have been attacked. They have taken only follow-up measures. They lack a crisis management awareness."

Prior to the press conferences by Minshuto members, the LDP make such requests as explanation on whether the e-mail is real or fake, apologies for Takebe's son, Takebe and those accused. However, Nagata said in the press briefing as to the authenticity of the e-mail, "I have obtained certain facts but I'm still investigating it." Nagata's remarks have created a stir even among LDP moderates. General Council Chairman Fumio Kyuma commented: "He should have made an apology that would satisfy the public."

SCHIEFFER